

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Central Illinois Public Service Company d/b/a AmerenCIPS)	
Request pursuant to Section 6-102 of the Illinois Public)	
Utilities Act for an order authorizing Central Illinois Public)	
Service Company d/b/a AmerenCIPS to incur indebtedness)	
By undertaking the obligation to pay the principal, interest)	
and redemption premium, if any, on up to \$92,500,000)	Docket No. 08-0148
principal amount of Senior Secured Notes for the purpose)	
of refunding, redeeming and/or refinancing outstanding)	
evidences of indebtedness)	

PETITIONER'S PROPOSED ORDER
REVISED DRAFT ORDER

By the Commission:

I. PROCEDURAL HISTORY

On February 26, 2008, Central Illinois Public Service Company d/b/a AmerenCIPS (hereinafter the "Company") filed with the Illinois Commerce Commission ("Commission") a verified Informational Statement pursuant to Section 6-102(d) of the Illinois Public Utilities Act (the "Act") (220 ILCS 5/6-102(d)). The Informational Statement seeks an order from the Commission authorizing the issuance of up to \$92,500,000 principal amount of Senior Secured Notes (the "Notes") to be secured by an underlying "mirror" issue of first mortgage bonds until the "release date."

No hearings were held in this matter. No petitions to intervene were received. There are no contested issues.

II. STATUTORY AUTHORITY FOR PROPOSED FINANCING

The Company asserts that its filing is governed by Section 6-102(d) of the Act, and that Section 6-102(b) is not applicable to the proposed financing. In Subsection 6-102(b) of Section 6-102 of the Act, the first sentence provides as follows:

(b) The provisions of this subsection (b) shall apply only to (1) any issuances of stock in a cumulative amount, exclusive of any issuances referred to in item (3), that are 10% or more in a calendar year or 20% or more in a 24-month period of the total common stockholders' equity or of the total amount of preferred stock outstanding, as the case may be, of the public utility, and (2) to any issuances of bonds, notes or other evidences of indebtedness in a cumulative

principal amount, exclusive of any issuances referred to in item (3), that are 10% or more in a calendar year or 20% or more in a 24-month period of the aggregate principal amount of bonds, notes and other evidences of indebtedness of the public utility outstanding, all as of the date of the issuance, but shall not apply to (3) any issuances of stock or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming or refinancing outstanding issues of stock, bonds, notes or other evidences of indebtedness .

...

Subsection 6-102(d) of Section 6-102 of the Act provides in part as follows:

(d) Any issuance of stock or of bonds, notes or other evidences of indebtedness, other than issuances of notes pursuant to subsection (c) of this Section, which is not subject to subsection (b) of this Section, shall be regulated by the Commission as follows: the public utility shall file with the Commission, at least 15 days before the date of the issuance, an informational statement setting forth the type and amount of the issue and the purpose or purposes to which the issue or the proceeds thereof are to be applied. Prior to the date of the issuance specified in the public utility's filing, the Commission, if it finds that the issuance is not subject to subsection (b) of this Section, shall issue a written order in conformance with subsection (a) of this Section authorizing the issuance.

III. THE COMPANY'S INFORMATIONAL STATEMENT

According to the Informational Statement, the Company intends to issue and sell up to \$92,500,000 aggregate principal amount of the Notes in one or more series through the period ending March 1, 2011.

The terms of the Notes, including but not limited to the maturity, price, rate or method of calculation of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions, will be determined at the time of each offering. The Company is currently contemplating issuing the Notes for up to thirty-two (32) year terms, depending on market conditions at the time of the offering. It is expected that the interest rate(s) will not exceed 8.00 % per annum; however, the actual interest rate(s) will be determined at the time of each offering. If the Company issued securities with a thirty (30) year maturity, for example, the Company would at this time expect an interest rate of about 7.25 %.

The Notes will be an issue of one or more new series of debt securities issued under, and secured by, an indenture (the "Senior Note Indenture") between the Company and The Bank of New York Trust Company, N.A., as trustee. Until the release date as defined below, all of the Notes outstanding under the Senior Note Indenture will be secured by one or more series of the Company's senior note mortgage bonds issued under its first mortgage indenture, the terms of which will mirror the corresponding series

of Notes. The senior note mortgage bonds will be secured by a lien on substantially all of the property owned by the Company. The release date will be the date that all of the Company's first mortgage bonds issued and outstanding under its first mortgage indenture, other than senior note mortgage bonds, have been redeemed or retired. On the release date, the Notes will cease to be secured by the senior note mortgage bonds, will become the Company's unsecured general obligations and will rank equally with all of the Company's unsecured and unsubordinated debt.

The Company expects to sell the Notes (i) in one or more underwritten public offerings pursuant to a preliminary prospectus supplement and a prospectus supplement and an underlying base prospectus, in each case, to be filed with the Securities and Exchange Commission (the "SEC"), and/or (ii) in one or more private placements pursuant to a preliminary offering memorandum or circular and/or an offering memorandum or circular, or similar offering documents.

In the case of an underwritten offering, the Company's underlying shelf registration statement on Form S-3 for the registration of the Notes was initially filed with the SEC on April 24, 2001 and became effective May 2, 2001 and one or more underwriting agreements will be executed between the Company and one or more financial institutions who will serve as underwriters for the offerings.

In the case of a sale of a series of Notes in a private placement, the sale will be pursuant to a preliminary offering memorandum or circular and an offering memorandum or circular or similar offering documents. In this case the Company would rely on an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), for offers and sales of the Notes in the United States that do not involve a public offering (such Notes being referred to as "Restricted Notes"). Specifically, the Restricted Notes will not be initially registered under the Securities Act or any state securities laws and will be offered and sold to buyers who may purchase such securities pursuant to Rule 144A or other rule or regulation under the Securities Act. A purchase agreement or other form of agreement is to be executed in connection with each offering between the Company and one or more financial institutions, who will serve as initial purchasers or placement agents for the series of Notes. The Company may elect not to offer to register the Notes under the Securities Act. In the event the Company does provide for a future registration of the Notes pursuant to any registration rights agreement between the Company and any initial purchasers, the Company will agree to file a registration statement with the SEC relating to an offer to exchange the Restricted Notes for publicly tradable Notes. In addition, under certain circumstances set forth in any such registration rights agreement, the Company may be required to file another shelf registration statement covering resales by the holders of the Restricted Notes. In certain events relating to failure to timely file a registration statement or to register a series of Restricted Notes, the Company may be required to pay the holders of such series additional interest on the Notes at a rate to be agreed upon with the initial purchasers or placement agents.

Any publicly tradable Notes offered in exchange for Restricted Notes will have terms identical in all material respects to the Restricted Notes (except for securities law legends and

provisions related to the registration rights). The authentication and delivery of the publicly tradable Notes in connection with any exchange offer will not be treated as the issuance of a new series of debt securities under the Senior Note Indenture. The publicly tradable Notes and the Restricted Notes of a series will constitute a single series of Notes under the Senior Note Indenture and in no event will outstanding Notes exceed the principal amount of \$92,500,000. No new proceeds will be raised in connection with any such exchange offer nor will any additional indebtedness be incurred. The "mirror" issue of first mortgage bonds (senior note mortgage bonds) will continue to secure the Notes after the exchange offer until the "release date" as discussed herein.

The Company proposes to use the proceeds of the Notes as follows:

(A) to refund, repay or refinance the Company's \$35,000,000 Environmental Improvement Revenue Refunding Bonds (AmerenCIPS Project) Series 2004 due July 1, 2025 (the "Series 2004 Bonds");

(B) to refund, repay or refinance the Company's \$17,500,000 Pollution Control Revenue Refunding Bonds (Central Illinois Public Service Company) 1993 Series B-1 due June 1, 2028 (the "Series 1993 Bonds");

(C) to refund, repay or refinance the Company's 7.61% \$40,000,000 First Mortgage Bonds, Medium-Term Note Series 1997-2 due June 1, 2017 (the "1997 Mortgage Bonds"); and

(D) pay related expenses, including but not limited to commissions or discounts paid to the initial purchasers or placement agents of the Notes; provided that the maximum amount of Notes issued will not exceed \$92,500,000.

The Informational Statement relates that recent events in the capital markets, including the actual or potential downgrading from AAA of the credit ratings of bond insurance companies resulting in part from disruptions in the "sub-prime mortgage" markets, have resulted in actual or potential ratings downgrades on outstanding tax-exempt securities with variable interest rates determined by an auction process. As a result, recent interest rates on such securities, including the Company's Series 2004 Bonds, have significantly exceeded historical levels. The Company is seeking flexibility to refinance the Series 2004 Bonds with Notes in an attempt to avoid or mitigate such increased interest expense. ~~The Company states that it may refinance the Series 2004 Bonds with short-term debt in an attempt to avoid or mitigate such increased interest expense.~~ If market conditions permit, rather than refunding the Series 2004 Bonds with Notes ~~short-term debt~~, the Company may convert the interest rate setting mechanism on the Series 2004 Bonds as permitted under their terms to a mechanism that would be expected to result in lower interest costs and/or less rate volatility. If market conditions do not permit such conversion or an issuance of refunding tax-exempt securities on reasonable terms, the Company states that it wishes to have the ability to ~~repay short-term debt used to refinance the Series 2004 Bonds with Notes as requested herein.~~

IV. STAFF'S RESPONSE

Staff reviewed the Company's Informational Statement and Article VI of the Act. In its response, Staff states that the Company's proposal is subject to Section 6-101 of the Act, which requires the Commission to provide proper identification numbers on the proposed Notes when issued, and Section 6-102(a) which requires a Commission Order authorizing the proposed issuance and sale of the Notes. Staff further states that the Company's proposal is not subject to Section 6-102(b) since at least 90% of the proceeds will be used for the purpose of refunding outstanding issues of stock, bonds, notes or other evidences of indebtedness.

In its response, Staff also states that the Company's proposal is subject to Section 6-102(d), which requires the Informational Statement filed by the Company and a Commission Order in conformance with Section 6-102(a). Staff recommends that the Commission Order explicitly states that at least 90% of the indebtedness incurred by the Company pursuant to the Commission Order in the instant proceeding be used to refund, redeem, or refinance outstanding indebtedness, with the remainder to be used to pay expenses, commissions, or discounts to the initial purchasers of this offering.

In its response, Staff notes that concurrent with the Company's Informational Statement in this instant docket, the Company filed an Informational Statement in Docket No. 08-0147, requesting authority to pursuant to Section 6-102(d) of the Act to repay or refinance short-term debt incurred to pay the Company's Series 2004 Bonds. In the instant docket, the Company requests authority to refund, repay or refinance the Company's Series 2004 Bonds with Notes. Staff does not object to the Company's concurrent Informational Statements relating to the Series 2004 Bonds because the requested financing flexibility benefits the Company. However, Staff recommends the Commission's Order explicitly state that the authority in Docket Nos. 08-0148 and 08-0147 relating to refinancing the Series 2004 Bonds with Notes or refinancing short-term debt incurred to pay the Series 2004 Bonds, respectively, are mutually exclusive. That is, the financing authority granted to the Company in Docket Nos. 08-0148 and 08-0147 to replace the Series 2004 Bonds is limited to either refinancing such indebtedness with Notes or refinancing short-term debt incurred to pay the Series 2004 Bonds.

Staff states that the Company's proposal is subject to Section 6-108; however, as the proceeds from the issuance of the Notes are to be used solely for the purpose of refunding outstanding indebtedness issued with the consent of the Commission, no fee shall be required for the proposed issuance, should be required to pay a fee in an amount equal to 24 cents for every \$100 of such principal amount of Notes. Staff calculates the required fee to be \$222,000 (24 cents per \$100); provided that the Company is entitled to a credit in respect of the refunding of the Series 2004 Bonds, the Series 1993 Bonds and the 1997 Mortgage Bonds such that no fee will be due in this docket.

Staff recommends that the Commission Order explicitly state the Company does not have authority to issue Notes to replace outstanding short-term debt even if that

outstanding short-term debt had replaced long-term debt that had been issued with the consent of the Commission. If the said transaction would occur, the Company would owe fees pursuant to Section 6-108(2)(a) of the Act.

Staff further states that the Company's proposal is subject to 83 Ill. Adm. Code 240, which requires the Company to file reports relative to the issuance and sale of the Notes and application of the proceeds, unless the Commission Order provides otherwise pursuant to Section 240.30.

In conclusion, Staff recommends the Commission issue an Order, pursuant to Section 6-102(d) of the Act, authorizing the transactions described in the Company's Informational Statement and identifying the applicable provisions of the Act and Administrative Code. Staff further recommends that the Commission order the Company to file reports relating to the issuance of the securities approved in this Order pursuant to 83 Ill. Adm. Code Part 240.

V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

(1) the Company is a corporation engaged in the sale and distribution of electricity and gas in portions of the State of Illinois and, as such, is a public utility within the meaning of the Act;

(2) the Commission has jurisdiction over the Company and the subject matter of this proceeding;

(3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(4) subject to the conditions set forth herein, (i) the Company's proposed issuance of up to \$ 92,500,000 principal amount of Senior Secured Notes (to be secured by an underlying "mirror" issue of its first mortgage bonds until the "release date" as described herein), and (ii) the offering and exchange of publicly-tradable Notes in exchange for the Restricted Notes in accordance with the registration rights agreement, should be approved in accordance with Section 6-102(d) of the Act as set forth below;

(5) the net proceeds from the sale of the Notes, after deduction of commissions or discounts paid to the initial purchasers in connection with this offering, shall only be used for the purposes described above;

(6) the funds to be obtained from the issuance of the Notes are reasonably required for the purposes described herein;

(7) in accordance with Section 6-101, the Company should, before issuance of the Notes described herein, cause the following identification number to be placed on the face of the respective series of such securities: Ill. C.C. No. _____;

(8) the Company should comply with the reporting requirements of 83 Ill. Adm. Code 240;

(9) the Commission Order also requires that at least 90% of the indebtedness incurred by the Company pursuant to the Commission Order in the instant proceeding be used to refund, redeem, or refinance outstanding indebtedness;

10) the Commission Order recognizes that the financing authority granted to the Company in Docket Nos. 08-0144 and the instant docket, for the purpose of replacing the Series 2004 Bonds is limited to either refinancing short-term debt incurred to pay the Series 2004 Bonds (pursuant to the authority granted in Docket No. 08-0147) or refinancing such indebtedness with Notes (pursuant to the authority granted in the instant docket);

(11) no fee is required by Section 6-108 of the Act;

(12) the Company does not have authority to issue Notes to replace outstanding short-term debt even if that outstanding short-term debt had replaced long-term debt that had been issued with the consent of the Commission. If the said transaction would occur, the Company would owe fees pursuant to Section 6-108(2)(a) of the Act.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the proposed issuance by Central Illinois Public Service Company d/b/a AmerenCIPS of up to \$92,500,000 aggregate principal amount of Senior Secured Notes in one or more series (to be secured by an underlying "mirror" issue of its first mortgage bonds until the "release date" as discussed herein) for the purposes described herein is not subject to the provisions of Section 6-102(b) of the Act, and is hereby approved in accordance with Section 6-102(d) of the Act.

IT IS FURTHER ORDERED that the publicly tradable Notes to be exchanged for the Restricted Notes in accordance with the registration rights agreement and the related proposed exchange offer described herein is hereby approved.

IT IS FURTHER ORDERED that the Company shall comply with Findings (5) and (7) through (9) of this Order.

IT IS FURTHER ORDERED that the authority to issue the Notes granted herein shall expire on March 1, 2011.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this ___th day of March, 2008.

CHARLES E. BOX
Chairman